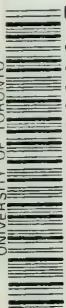



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# The Implications for Canada of Hong Kong's Future

Bernard H. K. Luk

EASTERN ASIA POLICY PAPERS

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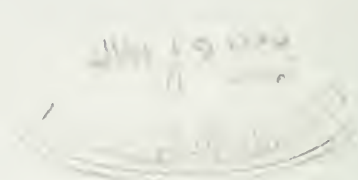
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## Series Preface

What lies behind the dynamic economic growth that East and Southeast Asia have experienced in the past two decades? What is the extent of economic integration in the region? Is the process of regionalization likely to foster distinct regional institutions and processes? What are the specific connections between economic, social and political development? How do the security issues of the post-Cold War agenda link to development concerns? What strategies are Eastern Asian governments using to integrate into the region and what devices are they using to protect themselves from the accompanying environmental and social dislocations? What implications do these changes have for Canadian developmental assistance programs in the region?

These are some of the questions that are being addressed in an innovative three-year research program supported by the Canadian International Development Agency and administered by the Joint Centre for Asia Pacific Studies.

The main element of the program is the commissioning of some thirty papers prepared by academic specialists in Canada and Asia. The immediate audience for the papers is officials in the Asia Branch of CIDA and their colleagues in other government departments.

An additional objective, which CIDA has encouraged, is the enrichment of public discussion of Canadian interests and involvement in the region. This is being pursued through broader dissemination of the papers and through a series of meetings involving government officials, academics, businesspeople and representatives of nongovernmental organizations.

We are thus grateful to CIDA for permitting us to publish in slightly altered form some of the papers produced for the project. It should be emphasized that the views expressed are the responsibility of the authors themselves and not CIDA.

Paul M. Evans  
Director and Series Editor

September 1994

## About the Author

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## **Executive Summary**

Canada and Hong Kong have been closely linked for many decades by trade, educational ties and migration. There are several hundred thousand Canadians with close ties to Hong Kong and Hong Kong graduates of Canadian universities. In recent years, funds brought to Canada by Hong Kong immigrants and visa students have amounted to several billion dollars annually. Hong Kong is also the single most important centre for Canadian business in Asia.

The 1984 Joint Declaration of the People's Republic of China (PRC) and the United Kingdom, which transfers sovereignty over Hong Kong from Britain to China in 1997, provides for a "high degree of autonomy" for Hong Kong as a Special Administrative Region of the PRC. However, PRC actions towards Hong Kong since the mid-1980s have been oriented more towards control than autonomy, especially since the Tiananmen massacre in 1989.

Consequently, confidence in Hong Kong's political future has been very low, which is one of the main reasons for the massive emigration from the territory. Apart from, but related to, this political pessimism are other very serious concerns which trouble people in Hong Kong, such as: the possibility of environmental disasters across the border in the PRC with nuclear power plants and industrial hazards; the contagion of corruption now rampant in the PRC; erosion of Hong Kong's accustomed liberties and rule of law; triads who might form business partnerships with powerful persons across the border; and prospects of economic downturns on both sides of the border. The sense of unease in Hong Kong is pervasive.

The Hong Kong-originated community in Canada account for the majority of Chinese Canadians. Most of them migrated to Canada in order to be out of reach of the Chinese Communist Party, and are committed to live in, and be integrated with Canadian society. However, the recent economic recession has made integration difficult, and many a breadwinner among Hong Kong immigrants has had to return to Hong Kong to work while leaving a family in Canada.

Canadian policy towards Hong Kong is based on the idea of confidence building, through helping to maintain Hong Kong's institutions, and by offering qualified applicants the opportunity to immigrate to Canada. This sensible policy has built up a reservoir of goodwill for Canada in Hong Kong.



## Hong Kong and Canada

Canada and Hong Kong have been linked since the mid-nineteenth century as two parts of the British Empire connected across the Pacific Ocean by trade, migration, imperial defence, and missionary enterprise. More recently, from the late 1960s, after the reform of Canada's immigration system, Hong Kong has been an important source country of immigrants, attaining first place among all source countries from the mid-1980s until the present.

During 1993, a total of 38 000 immigrants from Hong Kong landed in Canada, the largest number ever. During the first half of 1994, another 20 000 immigrants have landed from Hong Kong. A high level of immigration from the city-state is likely to continue for some time. There are more than half a million Canadian citizens or permanent residents who have some significant Hong Kong connection. They make up the overwhelming majority of Chinese Canadians. The largest number of these Chinese Canadians live in the greater Toronto or greater Vancouver areas, constituting 10 percent and 20 percent of the population of these metropolises, respectively. The continuing economic, social, cultural, and political infusions into Canadian life of these Hong Kong Chinese Canadian communities remain to be estimated precisely, but there is little doubt that they are of very significant proportions. Since most Chinese Canadians still retain personal memories of, and close familial, social, or business ties to Hong Kong, the future of that society is likely to have implications for the Chinese Canadian communities and for the Canadian mainstream for some years to come.

For most of the immigrants from Hong Kong since the 1960s, and especially for those who came since the early 1980s, it is safe to say that they migrated in order to be out of reach of the Chinese Communist Party (even if the Party itself might no longer adhere to Communist ideology). In that sense, they could be considered as refugees by orderly departure. Many of them in fact consider themselves to be refugees for a second time in their lives, first fleeing to Hong Kong from China during the late 1940s and 1950s, then applying to come to Canada after some decades in Hong Kong. While large numbers of Hongkongans are already waiting in line for their immigration applications to be processed, it is widely expected that any major crisis in Hong Kong or in China, like the Tiananmen massacre in 1989, would precipitate a great surge in potential migrants.

In addition to immigrants, Canada also has been very attractive to another group of people from Hong Kong, namely, visa students. Tens of thousands of Hongkongans every year attend university, college, or high school in Canada as visa students. Many of these visa students subsequently applied for, and obtained, immigrant status; but many have gone back to Hong Kong upon finishing their studies. Several of the largest Canadian universities have the



largest and most active out-of-province chapters of their alumni associations in Hong Kong.<sup>11</sup> Immigrants and visa students form an important human bridge between Canada and Hong Kong.<sup>11</sup>

The significance of Hong Kong for Canada is not only a demographic one. In monetary terms, since the mid-1980s when it became clear that the sovereignty over the territory of Hong Kong would be transferred from the United Kingdom (U.K.) to the People's Republic of China (PRC), an ever increasing amount of direct and indirect foreign investments from Hong Kong has been brought to Canada. In 1992, this amounted to some \$6 billion Canadian, and greatly overshadowed the volume of material trade between the two countries, which totalled \$2 billion. In addition, there has been a net flow of Hong Kong money into Canada in the form of savings and investment capital brought in by immigrants when they land or afterwards, family remittances of Canadian families whose breadwinners work in Hong Kong, visa students' tuition fees and expenses, and so forth, which are difficult to estimate with any precision, but which must amount to many hundreds of millions of dollars annually. (Visa students alone bring into Canada \$300–400 million.) It should be emphasized that most of this money represents unencumbered gain for Canada, in the sense that the gain does not entail any outlay on the part of the Canadian economy. In some local areas, for example, Vancouver, it is believed to have had a significant impact against the effects of the recession during recent years. Much of this monetary flow depends on Hong Kong's economy continuing to flourish under a foreboding sense of political insecurity.

Strategically, the flow of Hongkongans and their intellectual, cultural, and material wealth into Canada is important in yet another dimension. The twenty-first century is widely expected to be the "Pacific Century." Hong Kong is already a major centre for Canadian business operations in Eastern Asia, with the federal and provincial governments and hundreds of financial and other business firms very well represented there. The strength of Canada as a Pacific power will be enhanced by the contributions of Canadians of Hong Kong origin who could function with ease on both sides of the ocean, and who are enabled to work to consolidate and expand on the ties between Canada and Hong Kong, and to utilize Hong Kong's strategic location in East Asia for the benefit of both sides. In this respect, Canada is, at least potentially, far better endowed than any other Pacific Rim country. This potential advantage will hold true and continue to gain in value so long as Hong Kong remains stable, robust, and the hub of trade, finance, and cultural interflow between China, Southeast Asia, and the rest of the world.

Hong Kong is also the key to the open door of the People's Republic of China. The success hitherto of the open door policy has been due in no small measure to the existence of Hong Kong *as it is*, with its constitutional separateness from the PRC, and its much more modern, open and healthy legal, administrative, social, financial, and informational institutions. The importance of Hong Kong is likely to continue for many years to come, though the health of those



institutions is less certain with the impending transfer of sovereignty. As the continuing success of the PRC's open door policy is considered to be vital to the development and security of the Asia Pacific region, the continuing health of the institutions of Hong Kong also should be an important concern.

Therefore, it is important for Canadian policy making to have as good as possible an appreciation of the situation in Hong Kong towards 1997 and beyond, and to aim at the optimal development of those factors which are beneficial to both Canada and Hong Kong.

### **Hong Kong, China and Britain: Before the 1980s**

Hong Kong first came into existence as a sparsely inhabited island on the coast of Imperial China which was humiliatingly ceded to Britain in 1842 as a result of defeat in the Opium War. The British colony quickly emerged as a major emporium, with a population made up predominantly of Chinese emigrants. It soon became a major entering point for Western trade into China, and also established a trading network linking itself to south China, Southeast Asia, North America, and Australasia.

Although Hong Kong was less important than Shanghai before the Second World War as a business centre, it served as the main base for British activities in East Asia, and was the largest transshipment point for south China. Its reliance on the entrepôt trade meant that its economy was closely tied to that of south China. China, Britain, and the local inhabitants (who, during the first century of the colony's existence, were mostly sojourners) looked upon Hong Kong as no more than a bridge between China and the outside world, and there was little sense of a local identity during the first century of the colony's existence.

Following the Communist revolution in China, Hong Kong's population increased fourfold with the influx of refugees from civil war and Communist struggles, and a new economy and society took shape in the 1950s and 1960s. When the PRC became delinked from the world economy during the Korean War and UN embargo, the entrepôt trade of Hong Kong quickly dwindled. In order to survive, Hong Kong began to industrialize with the work force, machinery, and capital brought by the refugees. As the refugees settled down and raised families, and Hong Kong became an export-oriented manufacturing society, its citizens looked to themselves and to the Southeast Asian, North American, and European trading community, rather than to China, for ideas and wherewithal. For the first time, Hong Kong became a society of settlers rather than sojourners, and a new local sense of belonging and identity gradually arose.

As the postwar generation came into its own, new social practices and cultural patterns appeared during the 1970s and 1980s, with greater class and gender equality than experienced ever before in any Chinese society. This generation is no less proud of its distinct society than of its Chinese cultural heritage, and searches in the world and the future (rather than in the PRC and

in tradition) for many of its inspirations. It gave rise to a popular culture based on locally produced electronic and print media. This was also the generation that grew up in the shadow of the Great Leap Forward and the Great Proletarian Cultural Revolution in the People's Republic, and learned to fear and distrust the Communist Party and government there, even if some of the slogans of those campaigns were found to have a certain appeal. Throughout the 1950s to 1980s, Hongkongans were always aware of their refugee background, aware of the 1997 question, and aware that they might at any time face the prospect of a second migration.

The decades of Hong Kong's emergence as a modern society were also the period of decolonization of the British Empire. Hong Kong remained as the last major British colony, because the PRC would not contemplate its being granted independence by the U.K. On the other hand, as the Colonial Office shrank to insignificance in the British government, Hong Kong became largely autonomous de facto in its domestic policies, administration, and monetary system, even though the highest levels of its government continued to be appointed from London. And as traditional colonialism went out of fashion around the world, its more blatant abuses also disappeared from Hong Kong. The needs of Hong Kong's externally oriented economy demanded that it acquire an international profile, at least in trading, financial, and functional matters, even though it is not a sovereign state. By the late 1970s and early 1980s, with its administrative autonomy, economic strength, and international linkages, Hong Kong was able to function with considerably more manoeuvrability on the global stage than many sovereign states, even though constitutionally it remained a nineteenth-century-style British colony.

Over the decades as the welfare state took hold in Britain, the government of Hong Kong also assumed a number of functions not typical of colonial regimes, such as universal primary and secondary education, universal medical care, and massive public housing projects that provide homes for more than half the population. In Hong Kong, the reigning principle was not "the welfare state," but "positive noninterventionism" which called for the government to intervene in economy and society minimally but strategically, and otherwise to allow full scope for free enterprise.

Hong Kong society by the late 1970s and early 1980s was a curious mix, with an industrial and postindustrial economy, a highly rational social ethos, an indigenous mass culture, a scholar-official meritocracy (not unlike that of traditional China) governing with benevolent paternalism, and with a degree of freedom, rule of law, and cultural openness unprecedented in East Asia and unparalleled in most parts of the world. Positive noninterventionism left many gaps in government services and in social equity, but it also left a good deal of space for a civil society to emerge, and for voices to be raised for human dignity in Hong Kong, China, and the rest of the world.

Throughout the 1950s to late 1970s, Canada maintained friendly relations with Hong Kong as the two societies were each other's significant (though not major) trading partners. More important, there were already tens of thousands of Chinese Canadians who had immigrated from Hong Kong, and many thousands of visa students from Hong Kong in Canadian universities. Canada was clearly important to Hong Kong on a popular level, and Hong Kong was gaining in importance to Canada in demographic and financial terms, although not significant in political or official terms.

In Hong Kong politics before the 1980s, the authoritarian constitutional framework of nineteenth-century British colonialism remained unchanged on paper, but informally society and government evolved in mutual accommodation through the 1970s, so that the government came to be legitimated by performance and responsiveness, rather than by imperial cession or traditional authority. To be sure, this government favoured business more than other interests, and British-originated business most of all. But it was also careful to maintain some kind of balance among various classes and groups in Hong Kong society, so that the middle and working classes also made substantial gains from its social policies. As it became a plural society with many clearly articulated interests, Hong Kong by the early 1980s was ripe for more representative institutions to provide formal channels for the vox populi.

### *Toward 1997*

Although manufacturing became much more important than entrepôt trade in Hong Kong's economy, from the 1950s to 1970s the territory never ceased to be the PRC's major outlet for external trade and its major source of foreign exchange. The beginning of the open door policy in the People's Republic during the late 1970s and early 1980s coincided with the restructuring of Hong Kong's domestic economy, when labour intensive, export-oriented manufacturing had reached its limits, and high technology and the tertiary sector became more and more important.

By this time, Hong Kong was already the world's sixteenth largest trading country and a major financial centre. Wages on the factory floor were no longer competitive with those of other newly industrialized or developing economies. Many of Hong Kong's manufacturers took advantage of the open door policy on the Mainland and moved their factories there, at first tentatively, and then en masse. Some manufacturers also moved across the border to evade Hong Kong labour laws which offer better protection for workers than the system in the PRC. During the 1980s and 1990s, the economic relations between Hong Kong and China have become much closer, both in terms of Hong Kong investments in the deconstructing economy on the Mainland, and in the greatly expanded entrepôt trade as south China assumes Hong Kong's mantle of manufacturing for export by cheap labour.



Hong Kong is the key to the PRC's open door. Until the early 1990s, when investments from Taiwan became increasingly important in the PRC, Hong Kong provided the bulk of the outside investment on the Mainland. Since the early 1990s, Hong Kong has remained the major source of outside investment, and has also acted as the most important channel for other outside investments. As well, Hong Kong has been the source country for much of the expertise for what might be called intermediate technology, as well as for management practices and concepts, and industrial discipline. It is also a model for various aspects of economic legislation, for example, with regard to land use, corporations, etc. Last but not least, it serves as the PRC's single most important channel for communication of economic information with Taiwan and with the West.

On its part, Hong Kong has made good use of its position between China, the rest of Asia, and the rest of the world, to become by 1994 the eighth largest trading entity and one of the major financial centres on the globe, with a per capita GDP surpassing those of Britain and Australia, and comparable to the level of Canada.

So the resumption of sovereignty over the territory of Hong Kong by the Communist successors to Imperial China is not only to redeem the diplomatic humiliations of the nineteenth century, but also to capture an economic grand prix for the twenty-first.

British title to the territory of Hong Kong was based on two perpetual cessions over one-tenth of the land, and a lease over the other nine-tenths for ninety-nine years up to 30 June 1997. In anticipation of the expiry of the lease, the U.K. approached the PRC in the early 1980s to negotiate on the future of Hong Kong. The PRC insisted on retrocession of the whole territory, but offered the formula "one country, two systems; Hong Kong people govern Hong Kong" as a largely autonomous Special Administrative Region (SAR) of the PRC, with Beijing being responsible for foreign affairs and defence. This was meant as a guarantee that the Mainland system would not be imposed on Hong Kong, and that Hong Kong's way of life would continue unchanged for fifty years after 1997.

The phrase "one country, two systems" meant that after Hong Kong became a part of the PRC, Hong Kong would retain the "capitalist system," while the Mainland would continue under the "socialist system." However, the understanding of the ruling Beijing gerontocracy about "capitalism" is dubious. Their own direct experience of "capitalist" society was in Shanghai during the pre-World War II era, a society that was characterized by ruthless exploitation, the bosses' arbitrary power, ingrained selfishness and deceitfulness, rampant official corruption, utter lack of social provisions, hedonism for the tiny minority who could afford it, and corpses on the streets everyday of the poor who had died of starvation or untreated illness. They have not demonstrated any deep understanding of "more advanced stages of capitalism" in a society like Hong Kong. Instead, the promise was made to Hong Kong people that they could

continue to "gamble at the horse races and dance in the nightclubs," but nothing was said about personal liberties, civil society, human dignity, or the rule of law.

As the PRC itself deconstructs its economy from a Stalinist model to what might be called cadre capitalism, and exhibits many of the characteristics of capitalism as imagined by its leaders, the gap between Hong Kong and the PRC in values, ethos, and modes of operation has not narrowed, even if it might have shifted directions.

The Sino-British Joint Declaration on the Future of Hong Kong (1984) by which the United Kingdom agreed to hand back the territory to the PRC, was at first widely expected in Hong Kong to give force to the promise of "Hong Kong people govern Hong Kong," by institutionalizing the informal changes in Hong Kong government and further democratizing the government, in an exercise to decolonize without granting independence.

However, under the formula of "one country, two systems," the political leaders of Beijing most likely had intended to operate in Hong Kong the colonial system of government which it had experienced up to the early 1970s, before highly significant, though mostly informal, changes opened up the government to keep pace somewhat with economic and social change. During the years that followed the Joint Declaration, when the Beijing-appointed Basic Law Drafting Committee prepared the mini-constitution for the future Special Administrative Region of Hong Kong, it became increasingly clear that Beijing wanted to interpret away most of the democratic principles understood to be in the Joint Declaration, and that the British authorities in London and Hong Kong were prepared to condone the constitutional erosion of the rights of Hongkongans. Fragile confidence quickly turned into disillusion, and the mass exodus began.

The political strategy adopted by the Beijing rulers towards Hong Kong has been to ally the Community Party and state with the most conservative members of the business elite in Hong Kong. This is consistent with their simplistic understanding of "capitalist" society as one in which capitalists call all the shots. It is also consistent with the official and family aims of the rulers in the open door policy, to convince the capitalists to invest in China for mutual benefit. As the open door policy unfolded, the PRC became less and less "socialist" in its socioeconomic system, and more and more dominated by the cadre capitalists and the "princelings," and the links with Hong Kong and Southeast Asian Chinese capitalists became ever more close and numerous. The strategy that is played out in Hong Kong effectively leaves out of consideration the aspirations of the middle and working classes, as well as their worries and concerns. The Hong Kong middle and working classes might not be well organized politically, but they are not inert or apathetic about public affairs.

On their part, the Beijing rulers were alarmed by two massive movements by Hongkongans to try to have a greater say over their own fate. The first was the signature campaign against the Daya Bay Nuclear Power Plant in the wake of the Chernobyl disaster (1986), which collected one million signatures in the

hope of stopping the construction of the plant twenty kilometres northeast of the Hong Kong border. The second was the series of million-strong demonstrations on the streets of Hong Kong in support of the Tiananmen protests in Beijing (1989), and against the prospects of Hong Kong suffering under the same arbitrary power as the Mainland. Such public expressions of the popular will about matters of public concern, or against some government policy, have been a normal part of civil life in Hong Kong since the 1970s; these two instances were unprecedented only in scale. However, they were unacceptable to Beijing which could not tolerate any challenge to its absolute authority.

The Basic Law that was finally promulgated in 1990 provide for a post-1997 chief executive that would be appointed by Beijing, and a legislature so gerrymandered in its make-up that it would be unlikely ever to speak with a coherent voice, least of all a democratic one. The spirit, if not the letter, of the Joint Declaration, was emaciated by the Basic Law.

It is evident that Beijing's paramount concern in Hong Kong is absolute control, partly in order to secure the economic prize, partly to prevent the natives from getting restive, and partly to forestall the Hong Kong experience with human dignity and civil society infecting the Mainland provinces. There is a basic contradiction between its desire for Hong Kong's prosperity to be maintained and further developed, and its anxiety to diminish the very liberties and rule of law which has made that prosperity possible.

The formula "one country, two systems; Hong Kong people govern Hong Kong" might have worked if Beijing had been prepared to allow a popularly based representative government in Hong Kong to run its own domestic affairs autonomously. The more Beijing was seen to renege on that promise and to increase its levers of control, the greater the sense of insecurity and restiveness on the part of Hongkongans. Even the great capitalists who are on friendly terms with the Communist leaders diversify their interests overseas, and secure foreign passports, so as not to put all the eggs in an unsafe basket.

When Governor Chris Patten unveiled in October 1992 a constitutional package that would restore some of the spirit of the Joint Declaration to the system of government, Beijing reacted with vehement inflexibility. Negotiations between the two sovereign powers over these proposals went through seventeen unproductive rounds before they finally broke down. One of the impasses in the last round was that Beijing wanted Hong Kong to elect legislators by the "multiseat, single vote" (but not proportional representation) system. Under such a system of voting, each riding would have, say, four seats, but a voter may cast only one vote. So even unpopular candidates scoring the third and fourth largest number of votes in a riding, presumably pro-Beijing ones, would still win two seats in the riding—in fact, more than the one seat won by the most popular candidate.

Hongkongans by and large are proud to be Chinese, but have very mixed feelings about China. Their Chinese identity is a cultural rather than political



one; they also distinguish clearly Hong Kong Chinese from Mainlanders or Taiwanese. Many Hong Kong families have members that had suffered at the hands of the Chinese Communist Party, or had been able to observe from the sanctuary of Hong Kong the excesses of the Land Reform and Great Leap Forward of the 1950s, the Cultural Revolution of the 1960s and 1970s, or the violence of the Tiananmen repression in 1989, as well as the arbitrariness and corruption of many Party cadres. On the other hand, they are not enamoured with British colonialism, although there is little active hatred for it. Nor do Hongkongans harbour any illusion about the feasibility of independence, although a sizeable minority might (passively) prefer that outcome to absorption by the PRC.

All in all, Hongkongans face 1997 with a great deal of reluctance and foreboding. Some emigrate; some choose to withdraw from participating in a political process in which they feel utterly powerless; and some give their support to the home-grown prodemocracy parties, especially the United Democrats of Hong Kong (UDHK), who at least try to stand up against both British and PRC colonialism. The UDHK consistently has been most popular in the elections and in the public opinion polls. There are, of course, also those who are inclined to be nationalistic, and would support any strong national government in China. There is also a small minority with longstanding loyalty to the Chinese Communist Party, who are prepared to tow the Party line. And finally, there are those who would say, "if you can't beat 'em, join 'em," especially when the going is good. Even the nationalists, the pro-Communists, and the bandwagoners, however, have their own reasons to be wary about the prospects after 1997; many of them, in fact, have sent their family members overseas to establish residency rights. For instance, the wife and daughter of the chairperson of the Democratic Alliance for Betterment of Hong Kong (DAB), which is the party formed by pro-Communist teachers and workers to compete with the UDHK, landed as immigrants in Canada during the summer of 1994.

Hong Kong is a plural society, and there is no clear political consensus. The squabbles between the present and future sovereigns in the lead up to 1997, and their deliberate efforts to obfuscate about political institutions, also have made it difficult for a consensus to emerge. Nevertheless, in many ways, the Beijing rulers and the common people of Hong Kong are at odds with each other. This is almost inevitable, not only because of reasons inherent in the recent history of China and of Hong Kong, but also because Beijing has concentrated its united front efforts in Hong Kong since the mid-1980s to woo the most conservative elements in the Hong Kong business community, many of whom now look to the Chinese Communist Party to do away with the "socialist" and "free lunch" concessions to the masses introduced by the British colonial regime during the 1970s. The transfer of sovereignty in 1997 could well be accompanied by a major realignment of interests, with the business sector enjoying far more clout than under the British colonial regime.

## Some Scenarios beyond 1997: Optimism and Caveats

For reasons of geopolitics, economic integration, and sovereignty, the future of Hong Kong is clearly going to be closely connected to that of China. The medium-term future of the People's Republic, however, is generally considered to be difficult to predict, with a good deal depending on the playing out of the post-Deng succession. While the open door reforms probably have gone too far for anyone to turn them back, the way forward certainly is not a clearly visible, single, straight path. Instead of speculating on various developments on the Mainland, and how each might affect events in Hong Kong, this essay will focus more narrowly on some domestic concerns, which often tend to be left out of many discussions about Hong Kong and China.

There are a number of scenarios constructed about how the situation will unfold in Hong Kong after 1997. The most optimistic ones assume that Beijing understands and supports most of the economic and administrative institutions of Hong Kong, so it is prepared to allow the Hong Kong Special Administrative Region to run itself with a locally rooted and popularly based government, as long as it shows some serious respect for PRC sovereignty. This was the promise made with the Sino-British Joint Declaration in 1984. There would be difficulties from time to time, but as Beijing is prepared to run Hong Kong on a long leash, and there is enough mutual understanding and mutuality of interests, a *modus vivendi* evolves over time in some kind of de facto federal arrangement.

Alternatively, while Beijing understands and appreciates what makes Hong Kong work, it is not prepared to allow a truly popular government, preferring instead the more familiar colonial regime like that under the British. So long as there is no British "trickery" or prodemocratic "subversion" to try to deflect Hong Kong from ultimate submission to Beijing, and Hong Kong leaders trusted by Beijing are installed in the offices prescribed by the Basic Law to run Hong Kong on a day-to-day basis, Hong Kong would return to business as normal, à la the early 1970s, minus a few freedoms, but without serious impairment. Beijing would run Hong Kong on a relatively short leash, but mostly unobtrusively, while democratic opposition would be reduced to a few isolated voices serving little more than a decorative function. But economic rationality and rule of law would still be given adequate if somewhat reduced scope. Hong Kong standards of individual rights and civil society would have deteriorated from what they used to be, but would still represent something much better than what obtained in the Mainland. Some Hongkongans should be satisfied. Meanwhile, economic integration with the Mainland would proceed apace, bringing ever increasing prosperity to both sides. Soon, Greater China would be the most modern and successful economy in the world.

Certain elements of either of these scenarios might have seemed plausible during the mid-1980s. Nowadays, however, while they still have not become utterly impossible to realize, there are a number of reasons why things will be unlikely to work out in these ways. As was pointed out above, Beijing has



demonstrated its intent to exercise full control over Hong Kong, not to allow the territory much leeway within a broad framework of PRC sovereignty. Large segments of the population of Hong Kong, on the other hand, are distrustful or resentful, or even actively opposed, to Beijing's intervention in Hong Kong affairs. Given this "chemistry," it will be extremely difficult for any local leader to secure and long retain the trust of both Beijing and Hongkongans.

Furthermore, by its use of both obstruction and obfuscation, whether deliberate or otherwise, over the past several years, Beijing has succeeded in preventing the emergence of any credible political institutions or leaders that are firmly rooted in Hong Kong society and ready to function when the British hand over the reins of government. Beijing has persistently dismissed the Legislative Council as a colonial rubber stamp and has stalled any attempt to invest it with adequate electoral legitimacy. The civil service has been kept in a political limbo and its senior Chinese members alternately enticed and vilified, but not treated with seriousness or respect. The United Democrats, who won by far the largest number of seats in direct elections to the legislature, are restricted to a powerless role in the daily operations of government, as Beijing objects vociferously to the British inviting them to join the Executive Council. The other political parties are either too small, or never enjoyed much credibility, or have lost popular appeal by being seen to kowtow to Beijing. Finally, the local celebrities appointed to the Preliminary Work Committee set up by Beijing in 1993 in opposition to Patten's constitutional proposals do not seem to include members that would impress the public as a future government of the SAR.

So with less than three years before the transfer of sovereignty, there is nothing remotely like a creditable shadow government on the horizon. Furthermore, the Sino-British Joint Liaison Group (JLG) responsible for whetting Hong Kong's international agreements and decolonized legislation, has been so bogged down by bickering that its progress is painfully slow, leaving the future SAR to face a legal vacuum, when those of Hong Kong's laws which are simply extensions of British acts of parliament will become invalid overnight with the transfer of sovereignty. The transfer of sovereignty in 1997 does not seem likely in 1994 to be a smooth one.

Economically, the progressive integration with China, and especially with Guangdong province, has contributed tremendously to Hong Kong's growth during the past decade. One aspect of that integration is the massive purchase of Hong Kong stocks, realty, and other forms of wealth by the PRC state, by provincial or local authorities, or by powerful individuals from across the border. Such purchases no doubt indicate that the PRC is prepared to play by the "rules" of "capitalism" rather than by expropriation, but they also tend to increase the propensity of Beijing or other Mainland forces to intervene in Hong Kong affairs, whether or not by means which are legitimate within Hong Kong's own system. In any case, there is no reason to assume, a priori, that cadre

capitalists necessarily understand, or abide by, Hong Kong's way of doing things, especially when the stakes are high. Indeed, senior Party officials believed to be investigating corrupt practices by PRC personalities or agencies in Hong Kong told Hong Kong reporters in August 1994 that such practices should be dealt with by the Mainland authorities, not the Hong Kong ones.

All things considered, the more optimistic scenarios as outlined above do not, at the time of writing, seem likely to be realized. It should be borne in mind that after 1997, Hong Kong will no longer be a foreign territory, but will be some kind of a provincial unit within the PRC, and as such, will be expected to know its place within the preexisting PRC political hierarchy. It may be a provincial-level unit with many extra privileges, but it will also be one without any of the built-in Party, state, or personal leverages enjoyed by the other units. An SAR government that is not firmly rooted in Hong Kong society with a popular mandate, and effective institutional mechanism for that mandate to be appealed to and manifested, will have little chance to assert its will in defence of Hong Kong's rights.

In contrast to the more optimistic scenarios, some observers emphasize the probability of a major exodus between 1995 and 1997, contingent as well upon unhappy turns of events after 1997, and consequent losses of vitality for Hong Kong due to brain drain and crises of confidence. On the other hand, Hong Kong is not replaceable as a free and open Chinese society which has made its mark on the world stage and in East Asian history, and as key to the success of the open door of the PRC. The multifaceted impact of Hong Kong on the PRC, and especially on Guangdong province, will likely remain very significant, whatever might happen to Hong Kong itself.

### *A Number of Concerns*

Unlike the more optimistic scenarios, a number of concerns which many people in Hong Kong find worrying, could singly or collectively lead to some rather unhappy scenarios. To illustrate, five of these concerns are discussed here, not necessarily in order of importance or likelihood.

#### **Environmental Disaster**

One such concern would be an environmental catastrophe. The objection of Hongkongans to the Daya Bay <sup>N</sup>uclear Power Plant has been alluded to. Although active, massive opposition to the plant died down soon after the Beijing authorities refused to even receive the boxes containing the one million signatures that petitioned them to stop the building of the plant (1986), a quiet unease among the people has never been allayed. The plant is unusual in that it consists of a French reactor in combination with a British generator. During the construction about a year after the protest, it was discovered that some one-third of the steel bars which should have been included in the foundation of the building to house the reactor had been left out inadvertently. Nevertheless, Beijing decided to proceed with the construction rather than to dismantle the

defective foundation and to start again. After the building was completed in 1992, so many mistakes were found in the construction and installation that commissioning was postponed. When experiments with the reactor began in the summer of 1993, and the Hong Kong government asked for a promise to disclose any incident in the plant, the authorities on the other side refused. Since its commissioning in late 1993, there have been several minor problems resulting in stoppage; in each case, Hong Kong was not notified until several days later.

The lack of confidence by Hongkongans about the safety culture on the Mainland, born of first-hand experience or close observation, is such that many people in Hong Kong cite Daya Bay as one of the reasons why they contemplate or decide to emigrate. If any serious accident were to take place at Daya Bay or, given the secretiveness in the PRC, if there were any persistent and creditable rumour, it would trigger panic in Hong Kong and mass exodus on very short notice. The tourist and shipping industries and export trade also would suffer tremendously.

Daya Bay is not the only potential environmental disaster that could turn out to be destabilizing for Hong Kong. Industrial pollution is another. Much of the industrialization in the regions of Guangdong province around Hong Kong is environmentally unplanned and unregulated, resulting in great ecological damage. Acid rain from China is a problem that is already very much in evidence in Hong Kong, although it is due more to household burning of low-grade coal than to industry. Even more perilously, the East River, from which much of the fresh water purchased by Hong Kong for domestic and industrial use is pumped, flows through this new industrial wasteland. A good deal of the vegetables and livestock supplied to Hong Kong are also raised there. Numerous small incidents of poisoned vegetables, due to misuse of pesticides in China, have been reported in Hong Kong. Food raised with polluted water would be a more insidious and long-term problem. Hong Kong depends on south China for much of its water and a substantial portion of its food. The proportion could well increase after the transfer of sovereignty, if Hong Kong is expected to buy more from China. Any large-scale incident of food poisoning would again lead to panic.

More dramatically, large-scale industrial accidents also have taken place with some frequency in the Shenzhen Special Economic Zone just north of the border. Some are tragic in themselves, but would not affect Hong Kong in a big way, such as the factory fire that killed dozens of workers in November 1993, or the other factory that caught fire and then collapsed in a rainstorm in the summer of 1994. But an accident like the warehouse explosions and consequent great fire of August 1993, which came within a short distance of igniting a natural gas drum that could have destroyed a sizeable proportion of Shenzhen, would have had an adverse effect on Hong Kong's economy as well. When Hong Kong's economy becomes so closely tied to another which is so prone to disaster because of the underdevelopment of its institutions and attitudes, what is at risk is not only individual investments, but the security of the entire community itself.



## **Corruption**

Another matter of grave concern which Hongkongans have cited in poll after poll is corruption. Since the establishment of the Independent Commission Against Corruption (ICAC) in 1974, Hong Kong has been relatively successful in greatly reducing and containing, if not altogether eliminating, the use of public office for private gain.

In recent years, however, both popular perception, as well as reported instances, indicate that corruption has been on the rise. Some of it is no doubt due to the sense of anxiety that people feel about 1997, which make some succumb to temptation to enrich themselves before the anticipated doomsday. In other instances, it may be imported corruption from across the border where, by all accounts, including official admission, corruption of Party cadres and government officials has reached epidemic proportions. It is widely anticipated in Hong Kong that the trend will continue, since there are no built-in checks and balances in the PRC system, and that with 1997 Hong Kong will have fewer defences. After the transfer of sovereignty, the "princelings" will have free rein to operate as they please. How much of that will remain within the business sector, and how much will infect the executive, administrative, judicial, and legislative functions of government, is anyone's guess. But the concern is deep and pervasive that the ICAC will not be able to keep corruption in check, especially if it is connected to high places up north.

In this context, the worry about the potential for political intervention from the PRC goes beyond abstract legal issues of Beijing asserting its sovereignty power against the popular will in Hong Kong. It would not be altogether fantastic to imagine a "princeling" with powerful enough connections in Beijing, and a big enough stake in business in Hong Kong, to want to intervene in the appointment or dismissal of a cabinet secretary, or in the interpretation of certain clauses of the Basic Law. Both of these processes have to go through the Standing Committee of the National People's Congress in Beijing, according to the Basic Law. Depending on the circumstances, this may be done quietly without the Hong Kong public knowing about it; or it may be done more publicly and be accepted with cynical resignation in Hong Kong; or it could lead to mass protests and repression.

Whichever it may be, it would not bode well for the Hong Kong system. The efficiency, rationality, and meritocracy for which Hong Kong has been justly famous can be expected to decline with massive corruption from the top, resulting in a drop in economic performance. Demoralization would increase alienation and social decay, as well as the desire to emigrate.

## **Erosion of Liberties and Rule of Law**

Yet another common worry in Hong Kong is the erosion of basic freedoms and rule of law after 1997. In many ways, this is already happening. The Chinese press of Hong Kong which was the freest and liveliest throughout the Chinese-

speaking world, has become somewhat restrained in its criticism of events and developments in the PRC, although it has not yet been silenced. This self-censorship is due partly to fear of reprisals after 1997, and is perhaps also not unrelated to a circular distributed among PRC-based firms in Hong Kong by the New China News Agency (NCNA), the political representation of the state and the Party in the territory. The circular prohibited the firms from advertising in a number of blacklisted newspapers. Since these firms are big advertisers, and could be expected to become bigger, the prohibition certainly would have an effect on the revenue and long-term viability of a blacklisted newspaper. This is one way by which a capitalist means is made to serve the purposes of Communist united front strategy.

Another tactic by which Hong Kong newspapers could be intimidated is by the arrest of their reporters who cover China news. There have been a number of incidents in which Hong Kong reporters were accused of stealing or buying classified state documents on the Mainland, and subsequently redeemed by their employers, or sentenced to gaol.

Apart from freedom of the press, other forms of free expression could also be intimidated, such as organized public discussions or protests of societal issues or grievances, which have been a regular feature of Hong Kong's community life since the 1970s. These forums and protests have been particularly important, given the underdeveloped state of representative political institutions in Hong Kong, and their importance has been recognized by the Hong Kong government. But they are also likely to be restricted or whittled away.

Where the rule of law is concerned, there has been an acute shortage of Hong Kong Chinese lawyers serving in the public sector, either on the bench or as crown counsel. Large numbers of lawyers in private practice have indicated that they have no confidence in the prospects of the legal system after 1997, and were prepared to emigrate. Those lawyers (especially solicitors) who remain seem to have business considerations with the Mainland as a very high priority, and the leader of the United Democrats party experienced very great difficulty during 1993 in finding a solicitor to bring suit against a pro-Beijing politician for libel. The Court of Final Appeal, promised in the Joint Declaration as an institution to replace most of the appellate functions of the Privy Council in Britain, is prevented from being established when a majority of the Legislative Council refused, in 1992, to condone some second thoughts by the PRC and U.K. governments about its composition. Although there are renewed efforts in autumn 1994 by the two sovereign powers to establish the Court, the future of the legal system does not look very secure.

Religious freedom, on the other hand, seems to be safe, so long as it is confined to liturgical activities within religious premises or strictly charitable work. Once the faithful seek to express their faith through social or political action (which was one of the most significant forces for social reform during the 1970s), that is likely to be curtailed. However, the rights to gamble at the

races and to dance in the nightclubs have been explicitly promised by Deng Xiaoping himself, and seem likely to be protected by the new powers that be. Indeed, at least one of the largest nightclubs is known to have close financial ties with Mainland interests. Erosion of freedom and rule of law, like corruption, is likely to reduce economic performance and increase alienation.

### **Triads**

While police forces in Western countries are concerned about the prospect of a mass migration of organized crime from Hong Kong overseas as a consequence of the 1997 transfer of sovereignty, Hongkongans have much more immediate worries. From that perspective, the vital question is not the triads moving across the oceans (which might or might not happen), but of their forming political and monetary linkages with the powers that be north of the border. It is known that some of the most powerful Hong Kong "godfathers" have invested heavily in a number of business deals in the Mainland, and have established high-level contacts with the Party and state leaders there. Hong Kong society was shocked in the spring of 1992, and again one year later, to hear the minister of public security in Beijing, the top law enforcement officer in the PRC, say that there were good triads and bad triads, and Beijing was prepared to work with the "patriotic" ones. This would appear to be another instance of the united front strategy in which the common people of Hong Kong were left out of the picture.

At a lower level of consideration and as a more immediate threat to the social stability of Hong Kong, commando-style raids on Hong Kong banks and jewellery stores by Mainlanders, many of whom were smuggled in and out of the territory for the job by Hong Kong mobsters, pose a danger to the lives and safety of Hongkongans. This has been a spill-over of the breakdown of law and order on the other side of the border which cannot be easily curtailed, especially as economic relations between Hong Kong and the PRC become more and more close.

### **Economic Downturn** *Conclusion*

The optimistic scenarios assume that the economy of China will continue to enjoy rapid growth, and that Hong Kong will grow with it. However, this may well turn out not to be the case in the longer term. Periodic overheating followed by administratively imposed retrenchment has been a repeated feature in the PRC's process of economic reform since the early 1980s. Both the overheating and retrenchment have led to rather dramatic expressions of social and political unrest within the PRC, and have affected the economy and politics of Hong Kong.

While the effects of the current cycle on Hong Kong have been relatively mild, there is no guarantee that it will always be so, or that it will not result in very severe economic dislocations or political stresses between the Mainland authorities and the government of the Hong Kong SAR. Indeed, with increasing economic integration, a sharp downturn in the Mainland economy, say, some

ten years from now, could conceivably lead to a severe recession in Hong Kong, with consequent social unrest. This last could become more likely as the gap between rich and poor in Hong Kong continue to widen, partly as a result of the speculative boom during the past few years, fuelled by speculative money from the cadre capitalists and from overseas, and partly due to massive infrastructural construction projects. If the ultraconservatives favoured by Beijing do come to power in Hong Kong after 1997, there is likely to be a reduction in government expenditure on the social safety net established since the 1970s, and hence a further widening of the gap.

One of the major factors in the economic integration is south China, especially the Shenzhen and Pearl River Delta region of Guangdong province. Much of the phenomenal growth of the region has taken the form of the removal from Hong Kong of increasingly obsolete equipment across the border, to take advantage of the cheap labour available there.

For Hong Kong, this has resulted in very significant underemployment of manufacturing workers, many of whom are too old to be retrained to work in other sectors. (This process could accelerate with the successful conclusion of the Uruguay Round of the GATT talks.) It has also meant that many Hong Kong manufacturers could avoid restructuring their industries. This may be highly profitable in the short run, but in the long run it signifies a dwindling of Hong Kong's industrial base, not unlike what has happened to southern Ontario when factories relocate to Buffalo.

Where south China is concerned, this extremely rapid industrialization based on cheap labour and preexisting Hong Kong firms could be useful in the long run if an adaptable industrial work force could be trained in the process. But the growth that has occurred during the past decade is not likely to be long sustainable without considerably more investment in infrastructure, hardware, and training, which the small investors from Hong Kong could not be expected to provide. With NAFTA, part of the North American market for these factories will be buying instead from Mexico (which incidentally could become a good place for investment by some Canadians of Hong Kong origin). If the growth in south China is not sustained, the close economic integration could be expected to become more stressful than during the past decade, with potential consequences for political relations and social stability in Hong Kong.

To sum up, there are a number of very pervasive and deeply worrying concerns among Hongkongans, such as the five discussed above, which continue to feed the sense of insecurity and helplessness about 1997. These concerns probably will not easily dissipate in the foreseeable future, and are rather more likely to impel many people to seek to emigrate, with consequent reduction in the vitality of Hong Kong's social institutions and economic system. On the other hand, for geopolitical and other reasons, Hong Kong's importance to the open door policy of the PRC and to the further development of eastern Asia is



likely to remain. It would be vital, therefore, for Hong Kong to try to maintain the health of its administrative, legal, social, and informational institutions towards 1997 and beyond.

### **The Hong Kong Chinese Canadian Community**

A grave sense of insecurity about the future of their society has prompted many tens of thousands of Hongkongans to emigrate, and Canada has been the most popular destination. If any of the less happy scenarios should turn out to be correct, many more Hongkongans would likely want to follow suit.

Most of the principal applicants for immigration to Canada are men and women in their twenties to forties, and quite well established in their careers in Hong Kong. They come to Canada not primarily to seek better economic opportunities, but for better assurance of personal freedom and dignity. In many ways they are political refugees, but refugees of orderly departure from anticipated rather than present troubles.

A majority of the Chinese Canadian community have come from Hong Kong, or have some significant Hong Kong connection. The rest consist of earlier immigrants from south China and their second or third generation descendants, and more recent immigrants from the PRC, Taiwan, or Southeast Asia. The Hong Kong-originated community is clearly distinguished from the other Chinese Canadians by language, culture, lifestyle, and habits of work and rest.

The Hong Kong-originated community is itself rather diverse, depending on the date of immigration; and among the most recent ones, also on the class of immigration visa. Since Hong Kong society has changed so rapidly over the past few decades, emigrants who left in the late 1960s and early 1970s when they were students, would have very different perspectives on Hong Kong, and different habits of work and rest, from those of their peers who made their careers there and emigrated in the late 1980s and early 1990s. Within the most recent wave of immigrants, holders of visas of the family, independent, and business classes tend to have somewhat different demographic, educational, and occupational characteristics, and perhaps also concomitant social and political values.

For a community as large as this one, it is natural to expect a diversity of views and values. A useful indication would be that in the Canadian federal election of 1993, there were a dozen Chinese Canadian candidates, most of whom were from Hong Kong, and all three traditional parties were represented. Their participation in the electoral process is a clear sign of their integration in mainstream Canadian life.

By and large, most of the Hong Kong-originated Canadians are proud of their Chinese cultural heritage, and politically distrustful of the PRC, even if many of them would be prepared to engage in business enterprises to or in China. They



came to Canada in search of a free society and safe haven for themselves and their children, with every intention to settle here permanently. Most are in various stages of integration or assimilation with mainstream society.

The greatest impediment to integration, especially during the past few years of recession, has been underemployment or unemployment. Since many of the more recent immigrants are in early middle age and had enjoyed considerable career success in Hong Kong, it has been very difficult for them as newcomers in Canada to find commensurate employment here. This has driven many to take up altogether unsatisfactory jobs, or to work within the ethnic community, or to remain unemployed, none of which is fully conducive to their happy settlement and integration.

When opportunities beckon from Hong Kong (where the economy continues to boom, and unemployment is almost nonexistent), many have decided after much soul searching, to return there to work. Some of them have uprooted their families a second time; while others have become "astronauts," that is, trans-Pacific commuters between their jobs in Hong Kong and their families in Canada. There is no reliable figure for the size of the return migration, nor any indication as to how much of the return migration is intended to be permanent, and how much of it temporary. It has been estimated sometimes that there are perhaps thirty thousand Hong Kong-originated Canadian citizens living in Hong Kong.

### **Canadian Policy toward Hong Kong**

Canada has benefited in demographic, monetary, and strategic terms from its close ties with Hong Kong. The continuation of the benefits is contingent on the strengthening of ties and on a fairly stable and prosperous future for Hong Kong. Canadian policy towards Hong Kong is oriented toward these aims. It has also taken into account Hong Kong's greatly enhanced importance in all-Chinese and all-East Asia development since the open door policy of the PRC came into existence.

Current Canadian policy toward Hong Kong is based on the idea of confidence building, that is, to offer such help to Hong Kong so as to enhance Hongkongans' sense of confidence in the future of their society.

The main players in Hong Kong affairs are, of course, the PRC and the U.K., followed at some distance by the U.S.A., Japan, and Taiwan. There is a limit to what Canada could do to affect the development of events in Hong Kong, given the lack of major leverage that Canada could utilize with either the PRC or the U.K. Confidence building is an intelligent formulation that has earned Canada a good name in Hong Kong.

The Canadian policy is made up of two prongs. One is to provide what Canada could to help maintain Hong Kong's institutions. These have included technical assistance in the drafting of Hong Kong's bill of rights, and in

enhancing Hong Kong's international stature by signing bilateral agreements on aviation, environmental protection, and cultural exchange, as well as, more symbolically, by high-level visits and celebrations.

The other prong is by offering qualified Hongkongans who wanted a safe exit the opportunity to immigrate to Canada. While this could have the undesirable effect of encouraging brain drain from Hong Kong, it also has the effect of making people feel safe when they know that there is a possibility of escape if things went seriously wrong in Hong Kong. It also does not rule out the possibility of emigrants returning to work in Hong Kong after fulfilling residence requirements in Canada. In this way, the migrants form a permanent human bridge between the two countries, a human bridge consisting of sentiment, investments, and a shared pool of talent.

This sensible policy has built up a reservoir of goodwill for Canada in Hong Kong, where Canada generally enjoys an excellent image, except for the economic recession. It has also laid a firm foundation for profitable linkages between Canada and Hong Kong, and via Hong Kong, with China and the rest of Eastern Asia.

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